

REGIONAL DEVELOPMENT AUTHORITY

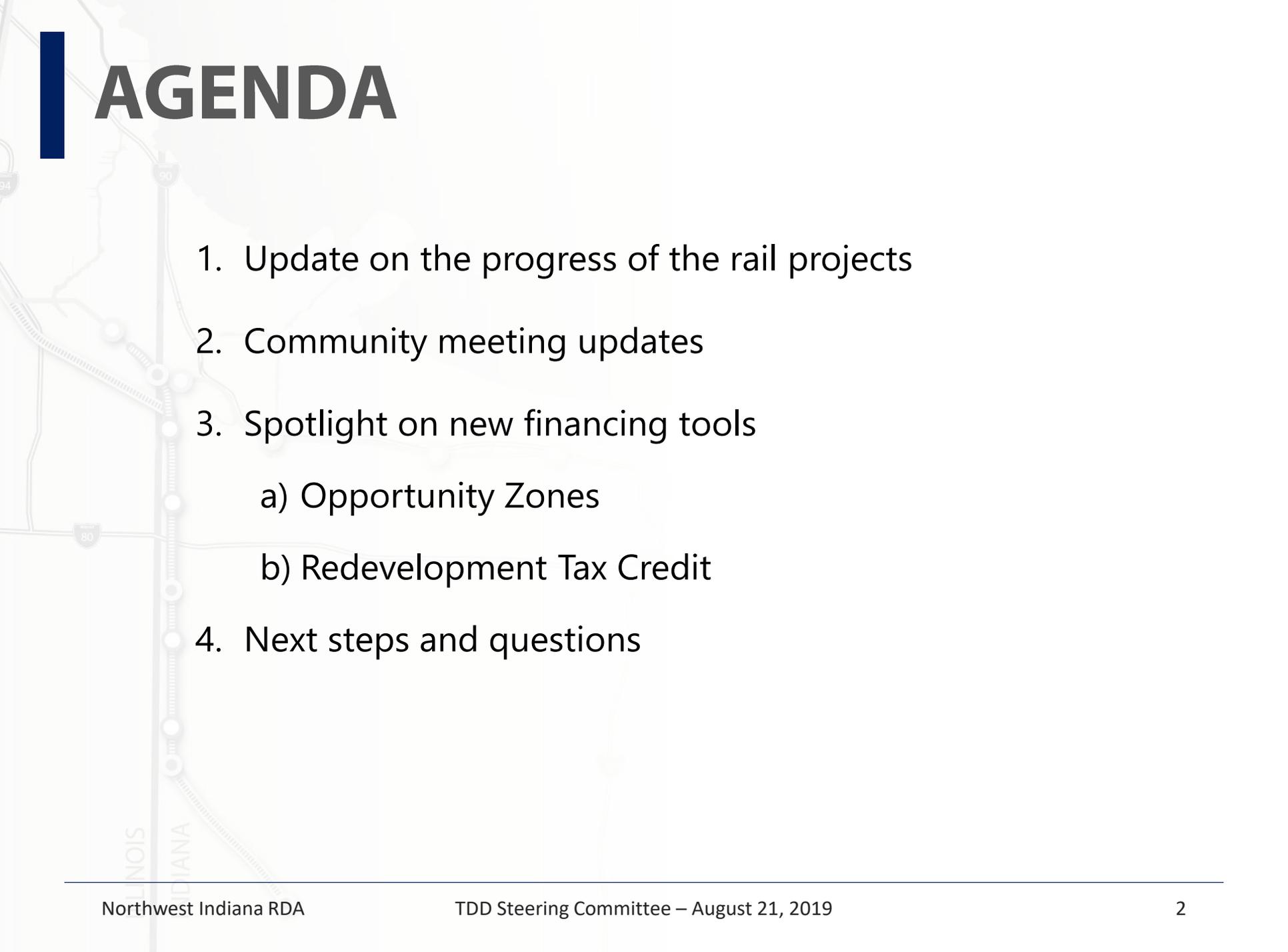
TDD Steering Committee

Quarterly Update to Committee

August 21, 2019

ILLINOIS

INDIANA



AGENDA

1. Update on the progress of the rail projects
2. Community meeting updates
3. Spotlight on new financing tools
 - a) Opportunity Zones
 - b) Redevelopment Tax Credit
4. Next steps and questions

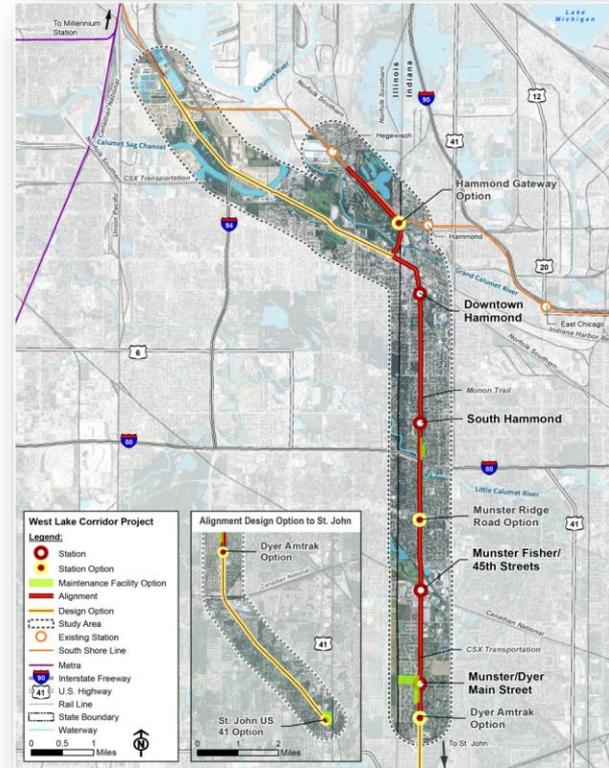
TEAM INTRODUCTIONS

RDA	Policy Analytics	KPMG	MKSK
Bill Hanna	Bill Sheldrake	Vince Dolan	Eric Lucas
Sherri Ziller	Jason O'Neill	Oscar Bedolla	Aaron Kowalski
Dave Wellman	David Reynolds	Tom Harmening	Luis Huber-Calvo

RAIL PROJECTS UPDATE

West Lake Corridor Project

- 9-mile extension to Dyer, Indiana
- First extension of commuter rail in NW Indiana in over a century
- Project Cost: Estimated \$816 million
- Seeking federal 'New Starts' funding (50% non-federal share secured)
- Completed environmental review and received a Record of Decision
- Completed 30% Engineering
- Project rating of medium-high (the second-highest rating possible) received from the FTA in March
- RDA, NICTD and IFA have completed West Lake's entry into the engineering phase, which included an updated financial plan, and are awaiting a decision by FTA.



Rail Projects Update

Double Track Project

- 25 mile project area, 16 miles new 2nd track, 4 new bridges, 3 new hi-level boarding platforms, 7 new hi-speed crossovers, closing 20 grade X-ings in Michigan City, train/car separation in Michigan City.
- Estimated cost: \$416 million
- Completed Environmental reviews
- Completed 30% Engineering
- Seeking federal New Starts funding (50% non-federal share secured)
- RDA has completed financial plan for double tracking and has submitted it to the RDA board, IFA, NICTD and the State Budget Committee – which was approved.
- The Double Track Project application to the FTA was submitted at the end of June.



Community Meeting Updates

- Munster – May 24, 2019
- Dyer – July 15, 2019
- Michigan City – July 30, 2019

A map showing Opportunity Zones along the border of Illinois and Indiana. The map features a vertical line representing the state border, with 'ILLINOIS' labeled to the west and 'INDIANA' to the east. Major highways are shown, including I-90 at the top, I-80 in the middle, and I-55 at the bottom. A network of Opportunity Zones is depicted as a series of white circles connected by a grey line, extending from the top left towards the bottom right. The text 'Opportunity Zone Discussion' is overlaid in large, bold, black font across the center of the map.

Opportunity Zone Discussion



Northwest Indiana Regional Development Authority

Opportunity Zone Presentation

August 21, 2019



Qualified Opportunity Zones (QOZ) Presentation

Introduction to Qualified Opportunity Zones



Qualified Opportunity Zone (QOZ) provision allows the deferral and partial exclusion of certain gains from the sale or exchange of an asset if those gains are reinvested in a Qualified Opportunity Fund (QOF).



More than 8,700 low-income census tracts have been designated by the Treasury. There are 156 qualified census tracts within state of Indiana and 6 opportunity zones within the proposed rail alignment.



IRS and Treasury issued proposed regulations and Rev. Rul. 2018-29 to provide guidance under the new section 1400Z-2 of the Internal Revenue Code.

Program Overview



★ The Opportunity Zones program aims to increase investment in low-income areas by incentivizing investors to put reinvest capital gains and hold for 7-10 years.



★ By investing capital gains in an Opportunity Zone through an Opportunity Fund an investor may be eligible to defer the tax and/or a partial exclusion of taxes.



★ Where an investor holds an investment for at least ten years, any additional gains on the original Opportunity Zone investment are tax free.



★ Investments must be made by December 31, 2026 to qualify for the tax exemption



★ Gains on the QOF interest held for at least 10 years may be permanently excluded.



What are the potential benefits of investing in a qualified opportunity funds?

Benefit 1	Encourages investment in low-income census tracts
	Benefit description: The Tax Cuts and Jobs Act, grants significant tax benefits to investors who reinvest their capital gains in designated “Opportunity Zones.”
Benefit 2	Promotes shovel ready projects
	Benefit description: Given the window in which an investor is required to invest capital gains under the Opportunity Zones provisions; investors are encouraged to seek out opportunities that are ready for construction.
Benefit 3	Retention of Capital in areas of investment
	Benefit description: Investors are reward based on the length of time the QOF investment is held. This will help to ensure capital remains in low income census tracts as investments held for at least 10 years may be permanently excluded.

Qualified opportunity zones

Qualified opportunity zone investment timeline



Key Takeaways

**Opportunity for
Economic Growth**

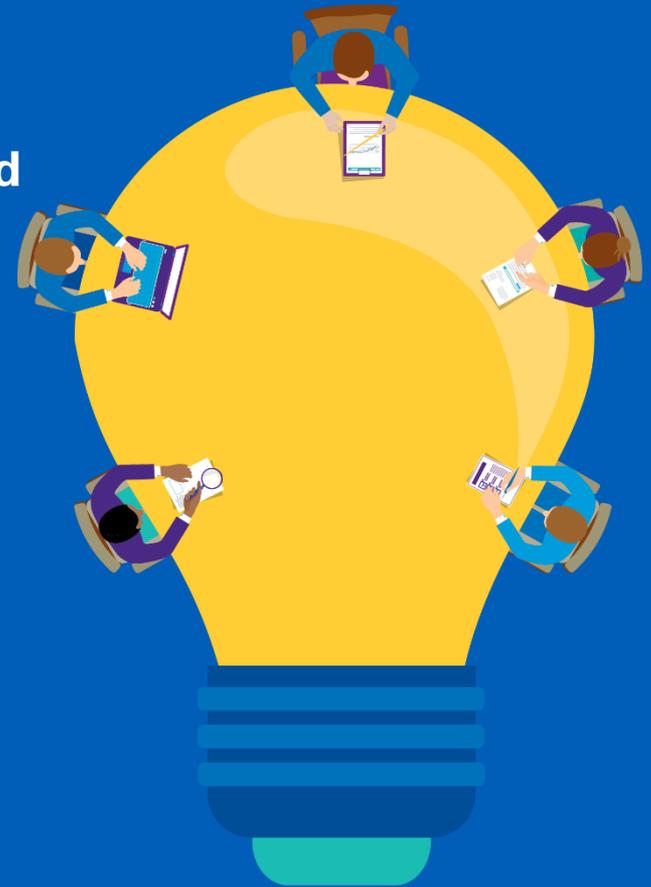
**Incentivizes patient
capital**

**Understanding
Timing is Critical**

**Opportunity Zones
were designated by
governors and approved
by Treasury**

Anyone can invest

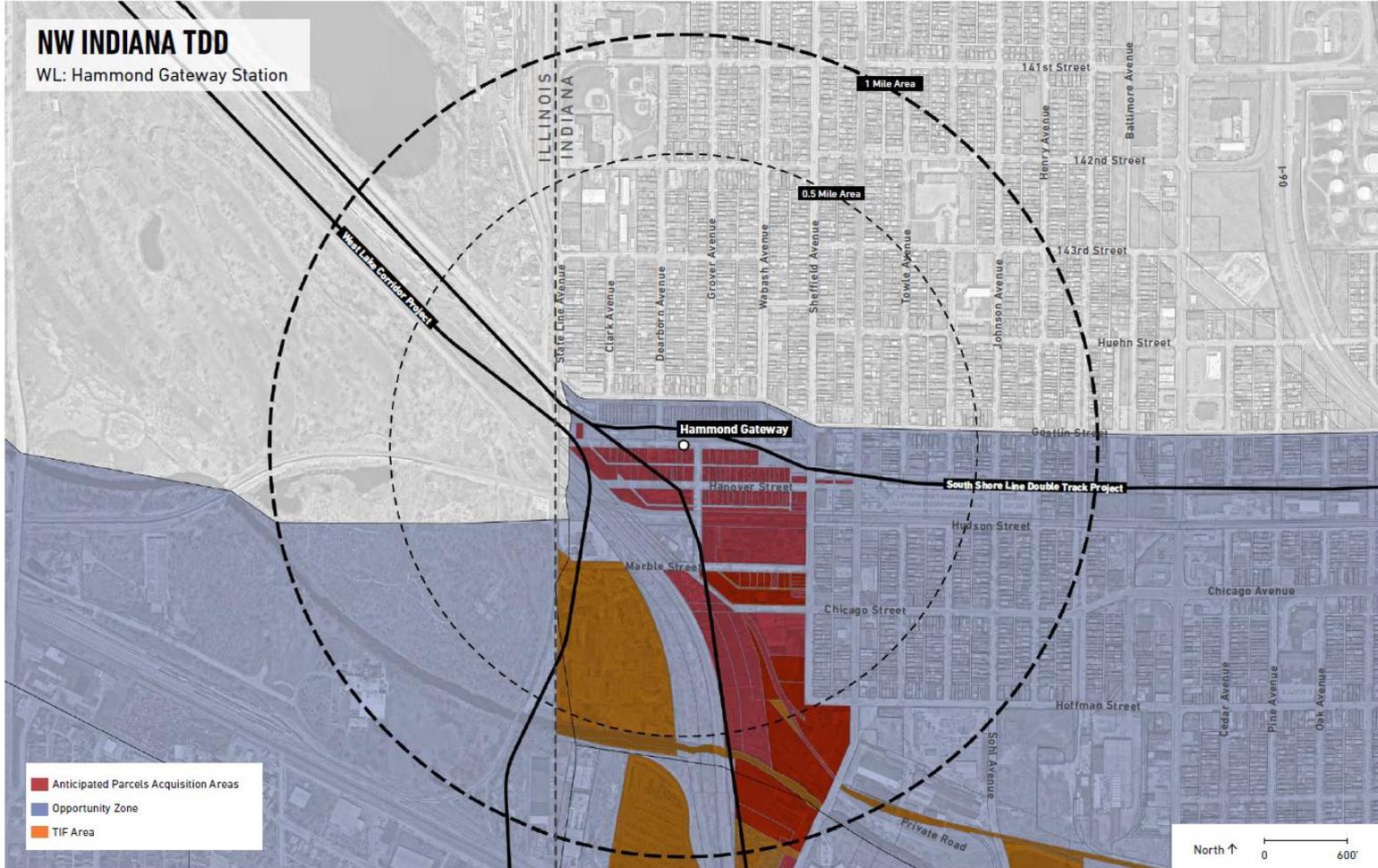
**Investments may
be in a real estate
or business in a
QOZ**



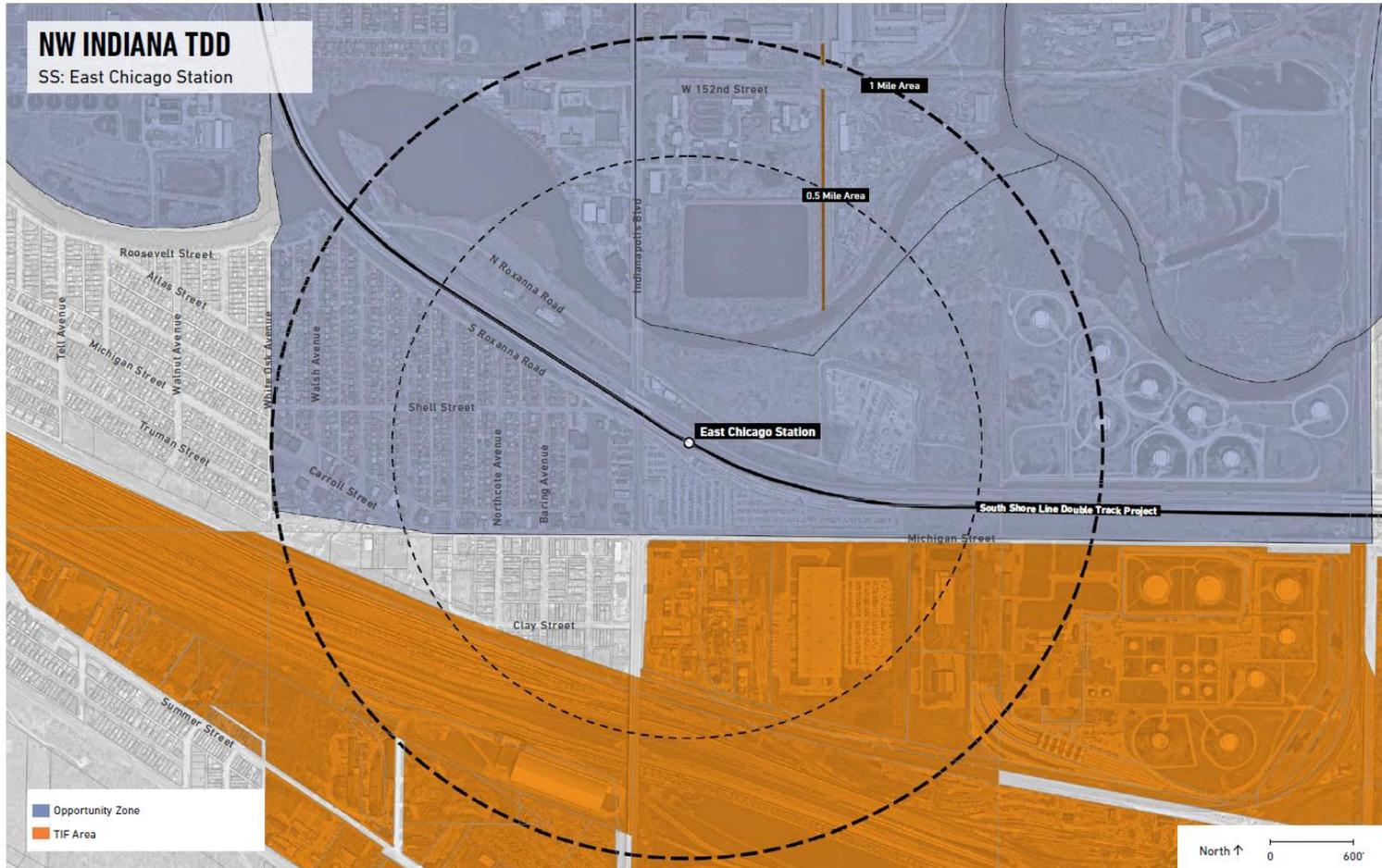
Northwest Indiana: Opportunity Zones



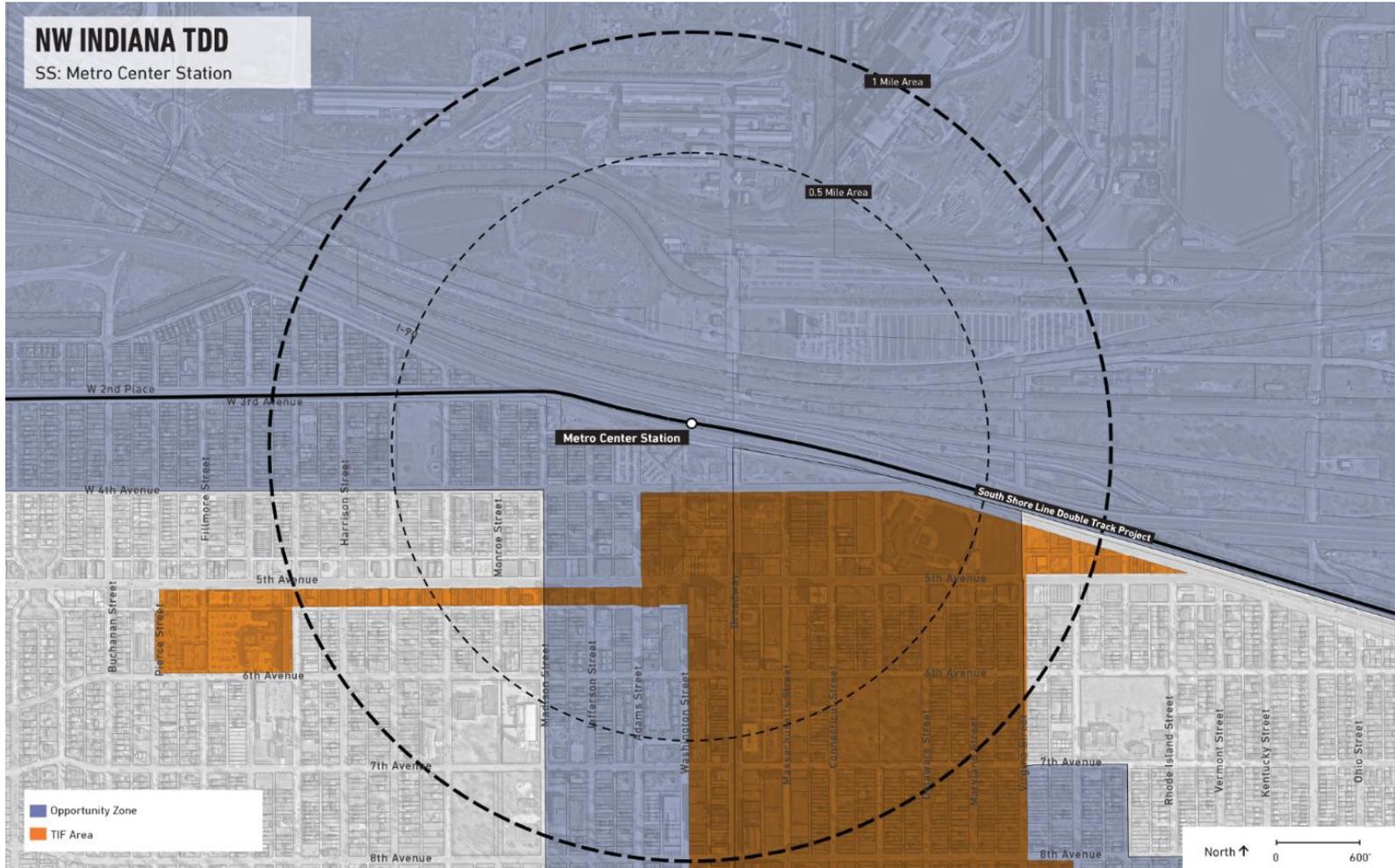
Opportunity zones



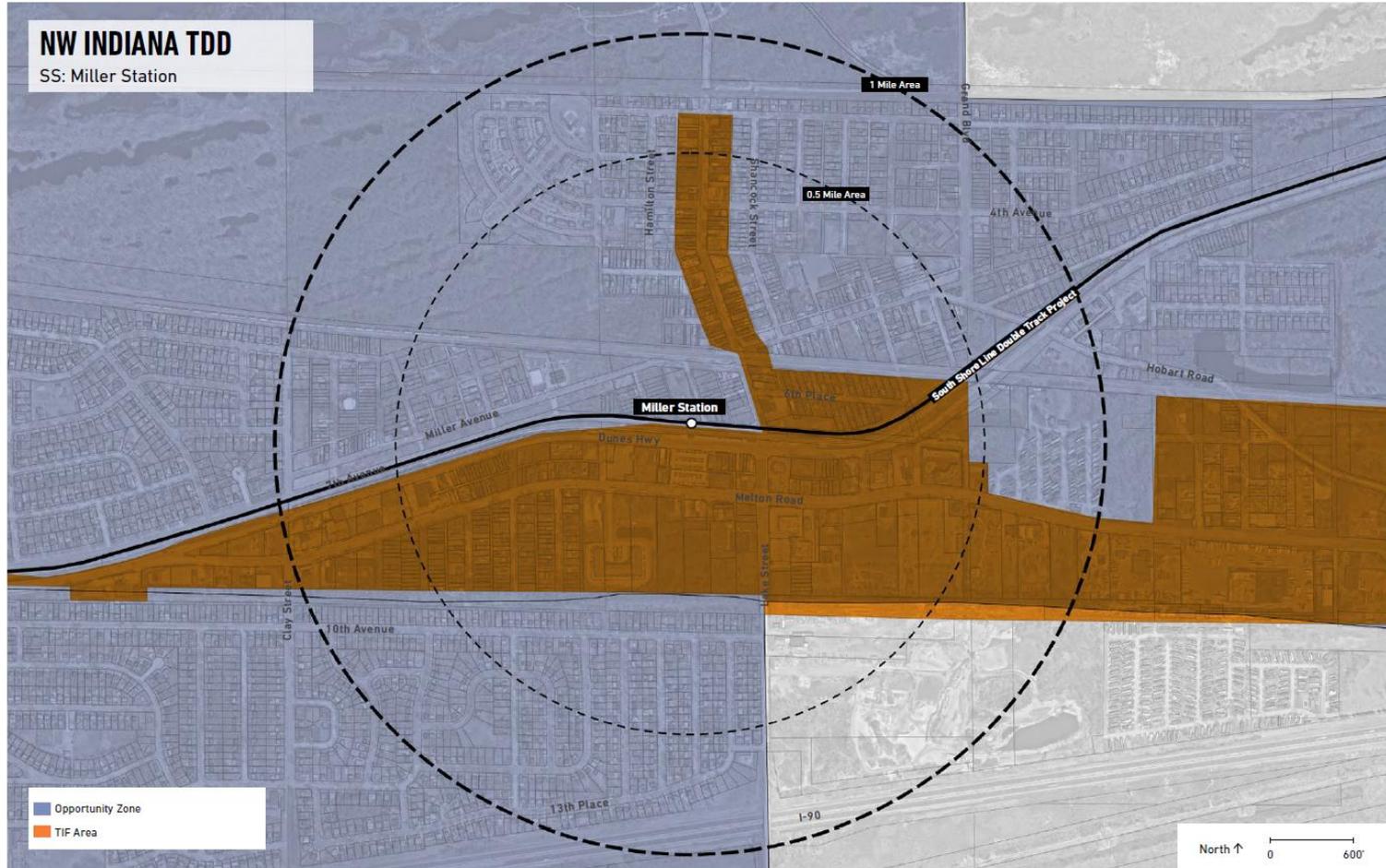
Opportunity zones



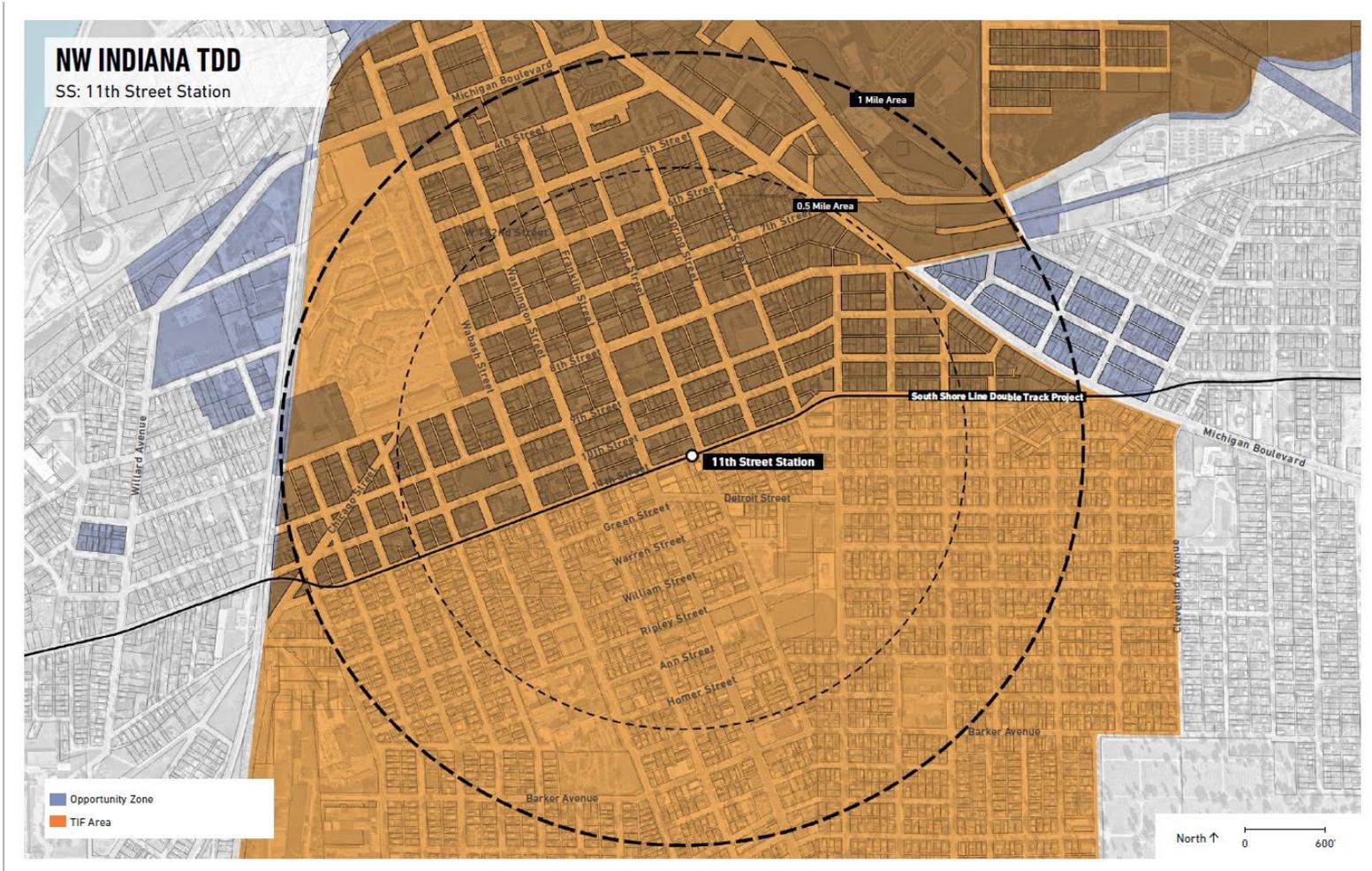
Opportunity zones



Opportunity zones



Opportunity zones





Redevelopment Tax Credit

ILLINOIS

INDIANA

REDEVELOPMENT TAX CREDIT

Senate Enrolled Act 563

- Phases out the Industrial Tax Credit after 2019.
- Provides a credit on Indiana Income Taxes to qualified investments.
- Provides an additional benefit for projects included in a redevelopment plan.
- Permits the assignment of the tax credit.

First Regular Session of the 121st General Assembly (2019)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in this style type, and deletions will appear in this style type.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in this style type. Also, the word NEW will appear in this style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict resolution: Text in a statute in this style type or this style type reconciles conflicts between statutes enacted by the 2018 Regular and Special Sessions of the General Assembly.

SENATE ENROLLED ACT No. 563

AN ACT to amend the Indiana Code concerning taxation and to make an appropriation.

Be it enacted by the General Assembly of the State of Indiana:

SECTION 1. IC 5-28-28-4, AS AMENDED BY P.L.238-2017, SECTION 7, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2020]: Sec. 4. As used in this chapter, "tax credit" means a state tax liability credit under any of the following:

- (1) IC 6-3.1-7 (before its expiration).
- (2) IC 6-3.1-13.
- (3) IC 6-3.1-26.
- (4) IC 6-3.1-30.
- (5) IC 6-3.1-31.9.

(6) IC 6-3.1-34.

SECTION 2. IC 5-28-28-10, AS AMENDED BY P.L.130-2018, SECTION 18, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2020]: Sec. 10. In addition to the other requirements of this chapter, the economic incentives and compliance report must also include a detailed report on the following programs, resources, or activities for which the corporation is responsible:

- (1) The economic development fund under IC 5-28-8.
- (2) The Indiana twenty-first century research and technology fund under IC 5-28-16.

SEA 563 — CC 1



REDEVELOPMENT TAX CREDIT

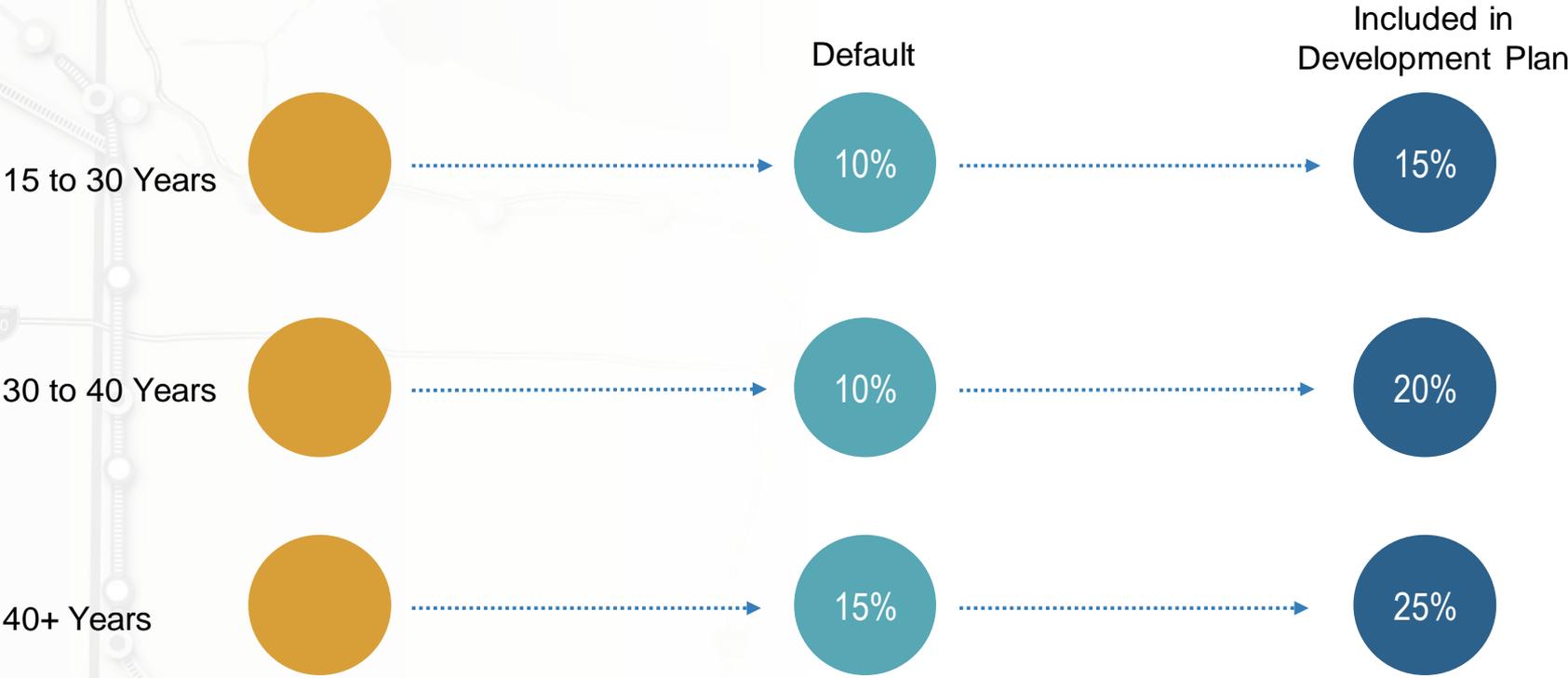
Eligibility Criteria

- Vacant building or complex of buildings placed in service 15 years before the date of application.
- Potentially qualifying buildings were demolished to protect the health, safety and welfare of the community.
- Potentially qualifying buildings were placed in service as a public building.
- Vacant land
- Brownfields greater than 50 acres are eligible for the incentive.

The investment and tax credit must be pre-approved and granted by the IEDC

REDEVELOPMENT TAX CREDIT

Benefit to Taxpayers



REDEVELOPMENT TAX CREDIT

Further Considerations

1. The Redevelopment Credit is significantly more expansive and valuable to taxpayers/investors than the previous Industrial Revitalization Credit.
2. No specific guidance has been issued as to implementation for Regional Development Authorities.
3. It will be important to have a mechanism to maintain and update the Development Plan over time.
4. An additional 5% tax credit may be applied by the IEDC if the redevelopment project is located within an opportunity zone or eligible for federal new market tax credits.
5. IEDC is limited to grant no more than \$50mm in tax credits per year
6. Individual tax credits awarded >\$7mm require a repayment of the tax credit in excess of \$7mm.

NEXT STEPS

- RDA Team is assessing existing conditions around station areas, and analyzing market demand.
- RDA Team will contact and meet with local communities
- RDA Team when meeting with each community, will require information regarding:
 - Zoning plans
 - Local ordinances
 - Other development related plans
 - Etc.
- As the planning process continues, the RDA Team will collaboratively set up public meetings in each community.